

Principal Residence Exemption

The Homeowner's Principal Residence Exemption is a product of the property tax reforms put in place by the legislature in 1994, generally known as Proposal A. The Principal Residence Exemption excuses a qualified principal residence (*Michigan law defines principal residence as the one place where a person has his or her true, fixed, and permanent home to which, whenever absent he or she intends to return and that shall continue as a principal residence until another principal is established*) and vacant land that is contiguous to the owner's principal residence from 18 mills of the total millage levied as property tax.

According to Public Acts of 1994 Sec.7dd, you must **own** and **occupy** a dwelling as a principal residence on or before May 1st in order to qualify for the Principal Residence Exemption for the year claimed. You may **not** claim an exemption on more than one property, rental properties, or non-owner occupied multi-family dwellings.

The following list contains several examples of acceptable verification of residency which you may be asked to provide in addition to your completed Principal Residence Exemption Affidavit.

- 1.) Both sides of your driver's license with the property address;
- 2.) Your voter's registration card;
- 3.) A cancelled check showing the property address (please black out all other information except the property address and date);
- 4.) A statement from a bank, charge account, medical billing, etc. (only the portion showing your address and date need be submitted);
- 5.) Your income tax return showing the mailing address;
- 6.) An insurance policy (only the portion showing your address and date need be submitted).

To receive the Principal Residence Exemption, an owner must file a Homeowner's Principal Residence Exemption Affidavit (Form 2368) with the local Assessor's office.

Effective April 8, 2008:

According to Public Act 96 of 2008, effective April 8, 2008, in addition to an owner's current principal residence, that owner could retain an exemption for up to three years on property previously exempt as the owner's principal residence if that property is not occupied, is for sale, is not leased or available for lease, and is not used for any business or commercial purpose. (In order to qualify for the second exemption the home in question must have been the principal residence prior to the owners moving out, the vacated home must remain unoccupied, may not be rented, must be offered for sale or rent, and may not be used for any business or commercial purpose.) The homeowner must file a conditional rescission form on or before May 1 with the local tax collecting unit; a copy will then be forwarded to the Michigan Department of Treasury. The owner would be required to verify annually to the local assessor on or before December 31 that the property remains eligible for the special exemption. If an owner does not carry out an annual verification, the local assessor would deny the principal residence exemption on the property.

*Please note: It is the responsibility of the property owner to notify the Assessor's office of any change in principal residence status. If the Assessor determines that a property does not qualify for the Principal Residence Exemption, a Notice of Denial of Homeowner's Principal Residence Exemption will be filed with the State of Michigan for the current year (and up to three previous years) and your tax bill(s) will be adjusted accordingly.

(taxable value)

State law caps or limits the rate of increase in your property's taxable value (taxable value is used to calculate your tax bill). The taxable value, in most cases, can't rise faster than the rate of inflation, with the exception of value added due to an improvement. Another exception to the cap is a transfer of ownership. In the tax year following a transfer of ownership, the property's taxable value will become uncapped and become equal to the assessed value of the property. The assessed value is the assessor's estimate of 50% of market value.

The following is a listing of the inflation rate multipliers used in the Capped Value and "Headlee" calculations since the start of Proposal A:

1995	1.026
1996	1.028
1997	1.028
1998	1.027
1999	1.016
2000	1.019
2001	1.032
2002	1.032
2003	1.015
2004	1.023
2005	1.023
2006	1.033
2007	1.037
2008	1.023
2009	1.044